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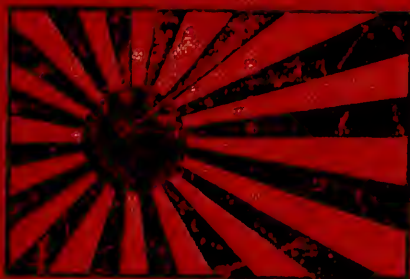
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JAPAN: ITS COMMERCIAL DEVELOPMENT



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Masuda

J A P A N

ITS COMMERCIAL
DEVELOPMENT

AND PROSPECTS

BY

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PREFACE

THE name of the author of this work is but little known in this country. It seems therefore, desirable to offer to its readers, a few brief particulars of his interesting career, and of the great house of business with which he is connected.

Born in the year 1848, of a Samurai family owning allegiance to the Shogun, Takashi Masuda, while still a youth, found himself in the midst of stirring and momentous national events. The conclusion of the Treaties of commerce with foreign nations, followed by the arrival of foreigners in Japan in 1858 and onwards, shook to its foundations the precarious edifice of the Shogun's power. The great Daimiyos of Satsuma, Chosiu, Tosa, Mito, and others, often at variance with each other, became at length united in a common enmity to the Shogun,

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and in a common desire for the restoration of the Mikado. Hence ensued a long series of political movements, sometimes originating with one, sometimes with another, but all designed to embarrass, discredit, and destroy his office and authority. They vigorously opposed for example, the opening of certain ports on the dates fixed by the Treaties, so that the Shogun, alarmed at the violence of their opposition, sent special embassies to certain foreign Courts with the object of obtaining delay. One of these, headed by two Daimiyos with a suite of about forty persons, was accredited to the Court of the Emperor Napoleon III in the year 1862. Mr Masuda's father was attached to it, and took his very youthful son with him. The embassy remained two months in Paris, returning to Japan at the end of that period, to report the failure of their mission. The two Ambassadors suffered disgrace and punishment, but before long Masuda became an officer in the Shogun's cavalry, and continued his military service until the fall of the Shogun in 1868.

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Thereupon he abandoned the profession of arms, and during the long period of forty years that has intervened, he has led a strenuous life, partly in the Civil Service of his country, in which he rose to be Master of the Mint, but chiefly in commerce, in which he has now attained a pre-eminent position as managing director of the firm of Mitsui and Co.

The history of this ancient house has much that is picturesque about it, reminding one of the old merchant-princes of Venice. The family originally belonged to the Fujiwara clan, its origin being traced to a feudal lord in the fifteenth century. In the days of the last of the Ashikaga dynasty of Shoguns, he lived in a state of perpetual war, but on the fall of the Shogun he retired to a village in the province of Ise, and became overlord of the district. His grandson removed to Matsusuzaka, where he laid the foundations of the present house. In the sixteenth century the family moved to Kyoto, where they established a large goods store, represented in Tokio to-day by the Mitsui Hofukuten. At

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the beginning of the seventeenth century, a member of the house introduced the practice of retailing for cash, organised an excellent system for the remittance of money from one part of the country to the other, and established a carrier's business. In the year 1687 the Mitsuis were appointed by the Tokugawa Shogun's Government as its purveyors and controllers of exchange, and in recognition of the excellent manner in which the duties were performed, were given the grant of a large estate in Yedo, (now called Tokyo).

In 1723 the head of the family, carrying out the verbal wishes of his father, assembled his brothers and sisters, and then and there drew up in writing a set of family rules which have since been practically the articles of partnership of the house of Mitsui. These rules embodied in business-like language the Japanese national principle that the family, and not the individual, forms the unit. It was not one or the other of the six brothers of which the family then consisted that was to trade, but the whole family of each

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succeeding generation as if one person, with unlimited liability as far as the property of each was concerned. Under these rules the family prospered exceedingly, so that on the restoration of the Mikado, the Mitsuis became the principal financial agents of the Government, and it was largely owing to the great financial resources of the house placed at the disposal of the Government, that the country was enabled at the period of the Revolution, to pass successfully through what might otherwise have proved a disastrous crisis. As a reward for the great services rendered at the time, the present head of the house was created a peer. Since the opening of Japan to Western influence the business of the Mitsuis has enormously increased, and extended in various directions. In 1876 their money business was converted into a bank on the joint-stock system, but with unlimited liability as far as the Mitsui family was concerned. In the same year, for the purpose of engaging in general foreign trade, the Mitsui Bussan Kaisha was formed, better

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known in Europe and America as Mitsui and Co. In 1899 the family acquired from the Government the concession of the Miike coal-mines, and there was then formed the Mitsui Kaishan or Mining Department, which has the management of this mining concession, together with many others which have since been acquired.

To-day the house of Mitsui consists of eleven families under a system of joint liability, bound together by the old rules drawn up nearly two centuries ago. The wealth of the collective families is unquestionably great, and they give employment to a very large number of persons.

During the late war, as well as in that with China, the Mitsui house had immense transactions with the Government in providing war material, steamers for transport, supplies, etc. Their magnificent organisation enabled them to carry out their various undertakings without the slightest hitch, and the name of Mitsui headed the various charitable funds in connection with the war. When the troops

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were leaving for the front, the Mitsuis had, at all the principal railway-stations, great booths where thousands of soldiers were treated by them to a hearty meal.

A short time ago, when Mr Masuda revisited England after an absence of twenty years, he had the curiosity to ask which is the English firm most similar in character to his own. It was not an easy question to answer. They are everything—bankers, steamship owners, merchants, miners, and brokers—the great difficulty being to find a branch of commerce in which they are not directly or indirectly interested.

Mr Masuda is probably one of the busiest, if not *the* busiest man in Japan, but he finds leisure moments for the cultivation of his excellent taste for the art of his country. One of the finest connoisseurs in Japan, his lovely house at Shinagawa—part of it a replica of one of the ancient palaces at Kyoto, the former capital of the ‘ Land of the Rising Sun ’—contains almost priceless treasures.

In the hurry of this new civilisation, Japan has probably lost much in being unable to

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produce those delicate masterpieces of art which demand for their production infinite time and patience. In the new life, however materially beneficial it may be, Old Japan is being gradually forgotten. It is therefore well for the sake of the past history of their land that the Japanese have in Mr Masuda a man whose love of the older civilisation prompts him to collect and rescue what great works remain.

More than this, Mr Masuda takes a keen interest in the folk-lore and old customs of his country. He loves the quaint cult known as the Cha-no-yu, often called 'tea ceremonies,' but which are rather Japanese hospitality and entertaining carried to a fine art. He has built several Cha-no-yu, or tea-houses. These, like the grounds about his house in which they stand, are typical of Old Japan. But peer down between the branches of the quiet rustling pine trees and one sees New Japan. The blue-green Bay of Tokio stretches out below. Along the foreshore, instead of the picturesque houses of the old-time fisher-folk, are the tall chimneys of factories. As you

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listen you hear the grinding of a tram-car as it rounds a curve or the shrill whistle of a locomotive. Instead of the 'old-time' Japanese and Chinese junks and war-vessels, their mat sails flapping lazily in the wind, you see great steamers, liners, battleships, and all kinds of modern foreign shipping. But you are not sorry to shut out this view of Japan's transition and to be taken back to Old Japan by the tremulous melody of a neighbouring temple bell, a sound that stimulates reflection, contemplation, and speculation.

A. ALLAN SHAND.

GEORGE LYNCH.

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INTRODUCTION

I HAVE just revisited London and Europe after a period of twenty years in Japan. As far as Europe is concerned, it was an all too hurried and flying tour. I regret extremely that pressure of business so long prevented me from visiting London. The growing rapidity and facility of communication yearly makes the world grow smaller. The route I traversed brings London within eighteen days of Tokio, via the single-track Trans-Siberian Railway in a train crawling at the rate of twenty miles an hour. With the duplication of the track and the acceleration of the trains, Tokio will, before my next visit, come much closer to London. Just as I regret my mistake in not having revisited London during these twenty years, so I would point out to my English friends—business and otherwise—that they also

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make a mistake in not visiting our East, in not coming personally in contact with the people with whom they are doing business, their good customers. A hundred letters are not worth as much as the interview of one afternoon. Japan and China may appear remote, but in these days they are not so remote as the imagination pictures them, when we come to a question of time and expense.

The greatest mistake a commercial man can make is not to keep himself up to date and see what the rest of the world is doing. During the twenty years since my last visit Japan has been making progress—great and remarkable progress—but the nations of Europe, too, have not been marking time. The struggle for commercial supremacy has become much keener and more strenuous during this period. It is now a fierce rivalry, a desperate competition. The British still lead, resting in the proud possession of the good-will they have established. The knowledge of this heritage tends to make them inactive, and it is only when competition threatens and they see that they are being

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ousted from a market that their energies are roused. They have business capability, perhaps beyond that possessed by any other people ; but the infinitely painstaking industry of the Germans makes these latter very serious competitors.

Greatly struck as I was by what I saw in Germany, I was also impressed by the development of Italian industry, and the busy little Swiss people can give a good account of themselves. The years to come will tell whether the British manufacturers are destined to suffer from the strenuous competition of their more industrious neighbours, and time will also tell whether their temperamental advantages and the good-will that they have established by being first in the field, as far as trade in the Far East is concerned, is sufficient to maintain their supremacy. In comparison with European nations, Japan has not done very much during the last twenty years, but her progress has, however, been sound. We aim at making the education of the rising generation thorough and practical. Despite what irresponsible writers say, our

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military and naval expenditure is purely to safeguard our independence. The war with Russia was a war of self-defence, and we have no aggrandising ambitions. A prolonged peace and time to develop our industries is now what we seek. Forty years ago the Japanese trader or man of business was looked down upon. He ranked as a member of the fifth class in our social scale ; but now the best men of Japan are taking part in business and educating their sons for commercial careers, and the old traditions of clean-handed honour and valour, which the best of our race have shown in the field of battle, are now being developed in commercial life, and we are bringing ' Bushido ' into business.

T. M.

GENERAL REMARKS

JAPAN : ITS COMMERCIAL DEVELOPMENT

CHAPTER I

GENERAL REMARKS

THE first impressions of an intelligent visitor to a new country are often markedly illuminating and accurate, and his conclusions, even if rapidly drawn, are often characterised by a singular sureness of prophecy. An American who early visited Japan, in reporting his first observations, asserted that : ‘ Should the country arrive at the state of breaking off its bigoted customs in consideration of the general trade of the world, it is bound to become a nation of great prosperity in the East, as England is in the West.’ It was doubtless through such reports as this that America conceived the idea

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of dispatching Perry's fleet on its expedition to Japan, a country devoted to the 'seclusion policy' through generations. America was destined to be the first to point out to Japan the path of civilisation and progress. The prophecy of the early American traveller proved correct, and Commodore Perry has long come to be remembered as Japan's benefactor.

It is needless to dwell upon the political and social reforms, the increase of national power, the progress of the people, the firm establishment of national defence, which have marked the history of Japan during the fifty years since the arrival of Commodore Perry. But even if we examine merely her trade and commerce, the progress and development effected is found to be really surprising. The development of our commerce is the direct result of the policy of the 'open door,' the inculcating of which was the primary object of Perry's expedition. For this achievement alone his name must ever remain honoured by posterity ; and whenever we look back into the past of Japan's commerce, we must always pay the first meed of praise

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and respect to the memory of the renowned Commodore.

The history of the foreign trade of a country being, as a general rule, closely connected with the changes it has undergone in internal and foreign policies, the social condition and organisation of the people, it may be as well, in inquiring into the progress of the foreign trade of Japan, to treat the subject according to various periods of transition, as follows :

1. The years before the opening of ports for foreign trade, or the period under the Tokugawa Administration.

2. The dawn of Japan's foreign trade, in which the treaties with foreign nations were concluded and the Treaty Ports were opened for trade, covering ten years after the great epoch of Restoration.

3. The period in which the adjustment of Japan's monetary system and improvements in financial organisation were effected, thereby markedly promoting the commerce and industry of the nation.

4. The period in which the commerce,

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damaged by sudden fluctuations in the relative values of gold and silver experienced before the Japan-China War, was brought back to its normal state by means of the solid establishment of the gold standard as one of the post-bellum undertakings.

5. Through the Russian War period up to to-day.

It is not too much to say that in the last ten years our island-empire of Japan, by virtue of the progress in her industries and the conspicuous advancement in her foreign trade, has been enabled to place herself amongst the foremost commercial nations of the world, and to aim at making further and greater advancement in coming years.

PERIOD OF THE TOKUGAWA REGIME

CHAPTER II

PERIOD OF THE TOKUGAWA REGIME

DURING this period the Tokugawa Government, in deviating from its policy of seclusion, gave to Dutch ships the privilege of loading and unloading their cargoes at the port of Nagasaki ; but it was subjected to such numerous restrictions, that it was taken but little advantage of, and could scarcely be said to constitute even the beginning of the foreign trade of the country.

In fact, under such an Administration as then existed, it would have been impossible to see general trade flourishing even if many other ports had been opened for free trading, as was plainly proved at the closing period of the regime. In pursuance of the hereditary policy of seclusion, the Government prohibited the

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people from building large ships or navigating abroad, and treated all communication and trade with foreigners as an act of illegality. This naturally tended to make the people regard foreign trade as something akin to treason, and many instances might be cited of the dangers that threatened the pioneers of Japan's foreign trade even after the opening of the Treaty Ports. It was particularly unfortunate that the political movement for the abolition of the feudal system, as it neared its accomplishment, synchronised and blended with the maintenance of the 'closed-door' policy, for this fact had as its result the predominance throughout the nation of a strong anti-foreign feeling. This led to horrible crimes being perpetrated, such as the assassination of some of the statesmen of the Tokugawa Government, who had concluded the treaties for the open ports; the assaults upon foreigners on highways; and the setting fire to foreign houses became disastrously common. Some Japanese who persisted in trading with foreigners were killed, as knaves betraying the nation, and some only managed

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to save themselves by giving material assistance to the anti-foreign party.

It may be said that the feudal system of the Tokugawa Government served to perfect the results of the seclusion policy, as will be seen from the following illustrations. Under the feudal system the Empire was divided into the dominions of over three hundred feudal lords, each constituting an independent State, and these lords naturally endeavoured to obstruct the changing of the people's domicile and the moving of goods from one State to another, in some extreme cases even prohibiting rice and grain, which formed the staple food-stuffs of the people, from being transported beyond the boundaries of these States. Thus was often caused the curious phenomenon of one State suffering from famine whilst an adjacent State had a superabundant stock of grain. It may, therefore, be said that the Japanese under the Tokugawa Administration suffered from a two-fold policy of seclusion—internal and external. The internal States adhered to the seclusion policy among themselves, while the whole

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Empire, formed of such secluded States, maintained its seclusion policy towards the world at large. Moreover, the producers of the national wealth—viz., the farmers, the workmen, and merchants—had to suffer under very heavy burdens; and they were precluded from enjoying the harvest earned by their hard efforts, as any attempt at raising their scale of living was liable to be declared by the authorities to be unpardonable extravagance, and to result in their property being confiscated. Nor were the private rights of the people respected by the officials of the States, who meddled even with the private monetary transactions of the people. In this way there was not only for life and property no guarantee in its proper sense, but various industrial occupations of the people were strictly controlled by the so-called patent system, which restricted these occupations to certain numbers, and allowed them privileges under patents, so that no one without the required patent could carry on any business. Under such a system free competition was almost completely pro-

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hibited, and it was impossible to hope for any advancement of national industries or for progress in foreign trade.

This, which was equivalent to the granting of monopolies much as was the case in Tudor and Stuart England, stifled and checked trade.

Commodore Perry needed much patience in his efforts to break up this seclusion policy. Had he given up his attempts on encountering the refusal of the Tokugawa Government, it would have resulted in a great misfortune to Japan ; but fortunately his earnest persuasion and persistent demands caused the Tokugawa Government to sign the 'Treaty of Amity and Friendship between Japan and the United States of America' in March, 1854. This was, indeed, the first treaty Japan had ever made with an Occidental Power, and from it dates the decision of this Far Eastern Empire to adopt the policy of the 'open door.' Japan, by the guidance of Commodore Perry, had turned her back on the 'closed door' policy, and the next stage was reached when, with a wise instructor in the American Minister, Townsend Harris, she set

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herself to work to formulate the details for carrying out the treaties concluded. Thus, under the Minister Harris's considerate guidance, the 'Treaty of Friendship and Commerce between Japan and the United States of America' was signed in July, 1858. Within the ten years following treaties between Japan and other Powers were entered into, and the commerce of Japan was thrown open to the whole world.

To sum up, Japan resolved upon the plan of opening its ports by persuasion of Commodore Perry, and learnt the method of carrying out the plan from the Minister Harris, thus breaking off the seclusion policy to start with ; but, owing to the difficulties which the feudal system put in the way of the development of industries, as stated above, there was hardly any important export of goods during this period, copper and vegetable wax being the most important among the few articles which constituted the trade.

FOREIGN TRADE DURING EARLY
YEARS OF MEIJI

CHAPTER III

FOREIGN TRADE DURING EARLY YEARS OF MEIJI

THE breaking-up of the seclusion policy was followed by the abolition of the feudal system. The great event of Restoration commenced by the resignation of the ruling Shogun in 1868, and concluded by the abolition of clans and the establishment of prefectures in 1871. This was a great revolution not only politically, but socially and economically. Politically, the foundation of the Empire was firmly laid on constitutional principles; socially, the people obtained enjoyment of equal rights; and economically, unnatural and inequitable restrictions were removed. With the double barriers to trade expansion thus removed, the foreign commerce of Japan began to show for the first time signs of that activity which has marked it during the subsequent forty years.

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Let us, for example, take the total amounts of import and export trade during the year of the Restoration as 100 units, and calculate out the proportions in which annual progress in trade was made, as follows :

TABLE SHOWING THE ANNUAL PROGRESS OF
THE FOREIGN TRADE SINCE THE
FIRST YEAR OF MEIJI

Year.	Per- centage.	Year	Per- centage.
1868	100	1888	499
1869	127	1889	519
1870	184	1890	527
1871	152	1891	543
1872	165	1892	619
1873	190	1893	678
1874	163	1894	879
1875	185	1895	1011
1876	197	1896	1219
1877	193	1897	1722
1878	224	1898	1991
1879	233	1899	1801
1880	248	1900	2084
1881	237	1901	2169
1882	256	1902	2219
1883	257	1903	2370
1884	242	1904	2718
1885	253	1905	3223
1886	309	1906	3352
1887	369		

This table shows that the foreign trade of Japan has been increased thirty-three times during the

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forty years ; but the real progress cannot be shown by simple figures only, and it will be necessary to consider the primitive methods practised in the early years of Meiji to understand properly how remarkable has been the material progress made up to date. I think it will not be without some interest to remark upon some of my personal experiences at that early period.

The principal difficulties experienced at the time arose from the languages not being understood and the customs differing. The merchants, both Japanese and foreign, were unable in most cases to talk of their business directly, and had to employ special clerks, called 'compradores' (only Chinese in the early stages), as interpreters. The compradores aimed only at obtaining commissions, just in the same way as they do now in the open ports of China, and never troubled themselves about the real interests of the trade. The relations between Japanese and foreign merchants were thus rendered strained by these compradores, and consequently the intimacy and confidence

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between the parties, so necessary for the smooth working of all business, were entirely lacking. Great inconvenience, too, was experienced by the Japanese merchants, who could neither get goods without paying cash, nor could they receive payment without actual delivery of the goods. The compradores alone invariably gained profits, and it was not an uncommon occurrence to see foreign merchants who had failed in business working in the employment of their old compradores.

As Japanese merchants were generally deficient in energy, capital, and systematic working, the controlling power of business was entirely in the hands of foreign merchants. In transacting business for export goods, these foreign merchants would often obtain delivery of the whole lot, and after several days declare the contract annulled on some pretext or other, thus making their dealings almost unbearable to Japanese merchants. This unsatisfactory way of doing business still exists to a small extent, but as the larger Japanese firms have begun to conduct their own import and export

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business, and have been quite successful, they are regarded as genuine Japanese merchants engaged in foreign trade. Others have gone beyond the confines of their native land, and to-day there are many of the larger firms who have their branch offices and agencies scattered in all parts of the world.

According to my recollection, there were in the first instance some cases of purely accidental occurrences having largely contributed to this development of foreign trade. In the latter days of the Tokugawa Government, moved by the cry of the anti-foreign sentiment that was gaining strength, the feudal clans still existing began to make vigorous attempts at reformation of their military organisations, and attempts were continued with increased vigour until after the Restoration had been declared. The payments for the arms purchased by these clans became their debts to foreign merchants who supplied them, and some cases were to be found in which the more speculative of foreign merchants were willing to make advances of money to the leaders of these feudal clans.

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But although the Restoration at one time made these rights of creditorship somewhat of an uncertain nature, the Imperial Government, after the disturbance was over, admitted its liability for the debts incurred by the feudal clans, and especially made a point of repaying all the debts due to foreigners in cash.* This was an unexpected boon to these foreign creditors, and they invested the moneys thus received in carrying on the foreign trade of the country, which indirectly served to contribute to the prosperity of the trade.

The above is only an example that struck me, but I have no doubt that there would be many such instances within the recollection of those who have been engaged in foreign trade since the beginning of the Meiji era. I have alluded to this in order to show by what numerous obstacles the foreign trade of Japan had been attended in its early period.

* During the early period of the Meiji era the financial administration of Japan was conducted by Mr (now Marquis) Inouye.

SUPPRESSION OF INSURRECTION AND
ADJUSTMENT OF MONETARY
SYSTEM

CHAPTER IV

SUPPRESSION OF INSURRECTION AND ADJUST- MENT OF MONETARY SYSTEM

A FIRMLY-FOUNDED monetary system is one of the necessary conditions for the development of industry and the progress of trade. At the time of the Restoration the monetary system of Japan was in a hopelessly confused state, there being then in currency over sixty kinds of gold, silver, copper, and iron coins of heterogeneous forms, sizes, and qualities. Besides these there were as many as 1,600 kinds of coins current only within the dominions of various clans. This unsatisfactory state was made still worse by the fact that the Imperial Government coined pieces of inferior quality to meet the pressing need consequent upon the War of the Restoration, an evil which seemed at one time almost irremedi-

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able. To go fully into the reforms effected in the monetary system during the subsequent thirty years would be a task of much interest from a historical point of view, but I will here deal only with such points as were closely connected with foreign trade.

As various political reforms undertaken by the Government were being gradually effected, endeavours were also made for social reforms, and the adjustment of the monetary system received its due share of attention. In 1871 the statute of new currency adopting the gold standard system was promulgated. The Mint was established in Osaka, under Major Kinder, and a special silver coin, similar in quality and weight to the Mexican dollar then in general use in Oriental countries, was coined as the medium for trading, and was circulated, under the name of the 'trade silver yen,' as legal tender within the limits of the open ports.

Unfortunately, however, the gold specie, driven out by the inconvertible paper money indiscriminately issued by the Government to patch up the financial deficiencies, began to

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flow out abroad, and it became impracticable to maintain the gold standard system. Consequently, in 1878 the restriction of the 'trade silver yen' for use within the open ports only was withdrawn, and the silver coin came to be freely used for gold in all kinds of transactions, public and private, inclusive of payment of duties. The gold standard system was thus practically changed into the bimetallic system of gold and silver; but in the meantime the confused state of currency had been to a great extent adjusted.

In 1877, the great insurrection in the south-west of the Empire having broken out, not only was the industry of the nation seriously disturbed by the ensuing war, but the policy adopted by the Government subsequent to the war did much damage to the financial interests of the people; for, as the Government, to finance the war, had to issue inconvertible paper money year after year, and also authorised the national banks to do the same, the total issue of this paper money, of which a large amount had already been issued by the Government

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before the war of insurrection broke out, reached the sum of 170,000,000 yen by March, 1880, and the discount for exchanging this paper for silver attained the highest figure of 79·5 per cent. in May of 1881. This was, indeed, the period of the greatest financial difficulty in the era of Meiji, and at this juncture the industry of the nation was entirely disorganised, and the balance of foreign trade so upset that there was a sudden increase of imports.

I cannot here enter into a full discussion of the manner in which this difficult position was successfully dealt with, but I may say that the Government, under the able Administration of Mr. Matsukata (now Marquis) as Minister of Finance, on the one hand established the Bank of Japan, and on the other hand endeavoured to redeem the paper currency with the surplus of annual revenue, as well as to provide the reserve specie funds, and encourage the export trade by applying such specie funds to discounting foreign exchange. All these various efforts bore fruit, and the value of paper at the end of

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1885 was found to be at par with that of silver, and the system of specie payment was put into operation in 1886.

At this time the foreign trade of the Empire reached its second stage of progress, and the tide of business turned, showing an excess of exports. The following list will show the proportions of export and import business from 1877 to 1893 :

TABLE OF COMPARATIVE PERCENTAGES OF
IMPORT AND EXPORT—1877 TO 1893.

Year.	Export.	Import.	Year.	Export.	Import.
1877	46·04	53·95	1886	60·58	39·41
1878	44·10	55·89	1887	50·33	49·66
1879	45·83	54·16	1888	49·82	50·17
1880	43·21	56·78	1889	51·43	48·56
1881	49·99	50·00	1890	40·91	59·08
1882	56·03	43·96	1891	55·48	44·51
1883	56·53	43·46	1892	54·55	45·44
1884	53·35	46·64	1893	50·28	49·71
1885	55·85	44·14			

Such progress in the foreign trade was, of course, due to the promotion of the industry of the nation. As an example, it may be stated that

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the number of various companies—agricultural, commercial, and industrial—which had been 2,392, with an aggregate capital of 100,000,000 yen, in 1882, rose in 1892 to 5,644, with a total capital of 289,000,000 yen. Cotton-spinning factories that had only 65,000 spindles in 1886 had 381,000 spindles in 1893. Railways of 245 miles in 1883 were extended to 1,769 miles in 1892. It may be gathered from these facts how fast the foreign trade had made progress, and, moreover, the progress was of a steady and substantial nature.

By still further extending statistical observations up to date, it will be seen that in 1905 the aggregate capital of various companies amounted to 1,262,000,000 yen, the total number of spindles increased to 1,401,147, and the railways had extended to 4,779 miles.

JAPAN-CHINA WAR AND THE
ESTABLISHMENT OF THE GOLD
STANDARD

CHAPTER V

JAPAN-CHINA WAR AND THE ESTABLISHMENT OF THE GOLD STANDARD

GRADUAL redemption of paper money having produced its due effect, the foundation of the currency system became firm, general industry flourished, and foreign trade prospered. But in connection with these there is a point which calls for special attention, namely, that the monetary system of Japan, which had been changed from a gold standard to the gold and silver system, as the natural consequence of the reform adopted for redeeming inconvertible paper, now practically assumed the form of the silver standard, and this change into *de facto* silver standard was before long destined again to become a source of considerable obstruction to the foreign trade of Japan.

It would be superfluous for me to dwell upon

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the general effects produced by the adoption of the gold standard by Germany in 1873, which, causing the value of silver to fall gradually, and the rate of exchange to fluctuate constantly, very seriously affected the trade between the countries having a gold standard and those having a silver standard. Japan, situated among the silver standard countries of the Orient, and practically changed into a country of the silver standard, as already explained, would superficially seem to have assumed a position of convenience; but in reality, as two-thirds of her export and import trade were carried on with the countries having the gold standard, the remaining one-third only being done with China and other silver standard countries, she had to suffer very greatly from the unstable condition of exchange rates, and those engaged in business transactions were obliged to spend a great part of their attention upon the behaviour of the daily fluctuating rates of exchange, and foreign trade tended to become largely a matter of monetary speculation.

In 1894 the ratio of the values of silver and

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gold became thirty to one, and the further fall of silver seemed almost limitless, reaching, in 1897, the lowest rate of 39·7. This was, indeed, a heavy blow to the industries as well as to the foreign trade of Japan. It was then that the war between Japan and China broke out, and as it did not fortunately last long, and ended in the complete victory of Japan, the national industries were greatly stimulated to activity. A large portion of the indemnity was applied to the reform of the currency system. The 'Statute of Currency' was duly passed by the Imperial Diet, and promulgated in March, 1897, and the foundation of the gold standard system was firmly laid, producing excellent effects in all directions. Of the immediate effects, the feeling of security pervading general business transactions on account of the stability of prices, and the smooth working of foreign trade due to the exchange rate being freed from irregular fluctuations, may be enumerated; but by far the most important effect was that Japanese public bonds began to be freely sold in foreign markets, for this

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was an evidence of Japan's admission as a member of the economic community of the world.

In reviewing the history of the development of Japan's foreign trade, it may be said that the aim of opening the country to foreign trade in the middle of the nineteenth century was successfully accomplished by the establishment of the gold standard system at the end of the century. In co-operation with the great activity experienced in all industrial and commercial undertakings after the Japan-China War, this establishment of a gold currency contributed very largely to the great development of the foreign trade of our country.

Having thus far dealt with the outline of the history of the progress of Japan's foreign trade, I will try to show by actual figures in what manner the progress moved onward.

The total amount of exports and imports was 26,000,000 yen in 1868, 59,000,000 yen in 1878, 131,000,000 yen in 1888, and 443,000,000 yen in 1898, and it attained the sum of 842,000,000 yen in 1906. It shows the repetition of an

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increase more than twofold in every ten years, and the following table will show the conspicuous progress in the last twenty years, viz. :

Year.	Export.	Import.	Total.
	Yen.	Yen.	Yen.
1883 ...	33,871,465	29,672,647	63,544,112
1903 ...	289,502,442	317,135,517	606,637,960
Increase ...	255,630,977	287,462,870	543,093,848

The increase is therefore in the ratio of 850 per cent. in export, of 1,070 per cent. in import, and of 960 per cent. in total during the last twenty years. If this increase be classified according to raw materials and manufactured goods, the proportions will be found in the Table given on p. 58.

This table also shows a remarkable increase in manufactured goods for export and in raw materials and unmanufactured goods for import, and it will serve to point out the tendency of development of the national industries during the last twenty years. To further explain the

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Year.	Raw Materials and Articles mainly Unmanufactured.		Manufactured Articles.	
	Export.	Import.	Export.	Import.
1883 ...	90 per cent. of the whole trade	45 per cent.	10 per cent.	55 per cent.
1903 ...	66 per cent. of the whole trade	65 per cent.	34 per cent.	35 per cent.
The rate of increase in 20 years	6-fold	16-fold	30-fold	7-fold

tendency of progress of our foreign trade, the following list of the prices of the principal export and import goods during the year 1903 is given :

EXPORT.

	Unmanufactured.	Manufactured.
	Yen.	Yen.
Silk	68,170,000	32,115,000
Cotton	31,649,000	8,165,000
Food-stuffs ...	18,964,000	2,388,000
Metals	14,105,000	2,480,000
Coal	18,200,000	—

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IMPORT

	Unmanufactured.	Manufactured.
	Yen.	Yen.
Grains and seeds	66,872,000	—
Cotton	64,882,000	—
Iron and steel ...	3,488,000	—
Machinery ...	—	11,951,000
Beverages and comestibles ...	—	12,010,000
Sugar	11,900,000	3,630,000
Oil and waxes ...	12,061,000	—
Wool	5,929,000	7,166,000
Chemicals ...	—	6,010,000

If the above figures be compared with the total export and import amounts, the following percentages will be obtained :

	Against Total Amount of Export as 100 per Cent.	Against Total Amount of Import as 100 per Cent.
	Per Cent.	Per Cent.
Tissues, yarns, threads, and raw materials ...	55 $\frac{2}{5}$	33
Beverages and comes- tibles	11 $\frac{2}{5}$	32 $\frac{3}{5}$
Minerals, etc.	13 $\frac{1}{5}$	1 $\frac{3}{10}$
Chemicals, etc. ...	3 $\frac{1}{10}$	4 $\frac{1}{2}$
Kerosene	—	4 $\frac{1}{10}$
Manures	—	4 $\frac{1}{10}$
Miscellaneous	19 $\frac{7}{10}$	20 $\frac{2}{5}$

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The total given on p. 59 will plainly show that the foreign trade of Japan tends to increase in raw materials for import and in finished materials for export, and such tendency is in accordance with the fundamental principle of the progress of trade, and will no doubt conduce to enhance the commercial interests of the country.

IMPORTANT MATTERS CONNECTED
WITH THE FOREIGN TRADE

CHAPTER VI

IMPORTANT MATTERS CONNECTED WITH THE FOREIGN TRADE

1. *Ships and Shipping*

As the progress of foreign trade in any country must always practically coincide with the increase of ships and development of navigation, some remarks here become necessary upon this question in explaining the actual conditions of the foreign trade of Japan; and although I presume that the particulars of shipping and navigation will be fully explained by those directly concerned with them, I believe that a few observations I am going to make upon the general bearing of the subject on commerce will not be trespassing beyond the scope of my subject.

Of various undertakings that made great strides of progress since the Restoration, navi-

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gation is one of the most conspicuous, and this is not at all a matter for wonder. From the geographical position and historical traditions of their country the Japanese were destined to be navigators, and with the removal of the oppression of the Tokugawa policy restraining them from developing their natural inclination towards navigation, they began at once to display it to its full extent. The business of navigation has made progress, keeping pace with the general progress of the nation, and whilst the increase in ships was annually being made by the addition of 5,000 to 10,000 tons, many events of an extraordinary nature frequently took place, and created the necessity for augmenting the number of ships, which in turn stimulated the development of navigation.

In 1871, when the adjustment of the internal affairs was completed, the Government possessed seventy-one steamers, totalling 20,900 tons, which had been accepted from various feudal clans. These ships had been originally purchased by these clans as men-of-war, but were nothing more than merchant vessels of an

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old type. The Government accordingly sold them to private companies, who employed them for shipping purposes, and this was the real beginning of our mercantile navy in the accepted sense of the term. But it was, of course, of a very limited extent at the time, even the coasting navigation being monopolised by foreign ships.

On the occasion of the Formosa Expedition in 1874 the Government purchased thirteen steamers, of over 13,000 tons, as transports ; and when the affair was over these steamers were handed over to a private company (the well-known Mitsubishi Company of later years), for the purpose of developing the navigation of the country. The line of regular navigation between Yokohama, Kobe, and Shanghai was thus opened, and as a consequence a keen competition was created between the Japanese Steamship Company and other powerful foreign companies on this route. Whilst engaged in the competition, the Japanese Company endeavoured to extend its working sphere and gained experience in the business, though

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sustaining heavy losses through the competition, eventually succeeding, not only in firmly holding its own in the above-mentioned route, but extending its navigation lines to the North China ports of Chefoo, Tientsin, Newchwang, etc.

Subsequently, in 1877, at the time of the South-West Insurrection, our firm (Mitsubishi and Co.) was the first to increase their number of vessels. This increase of steamers enabled the company to open the new line to Fuzan and Vladivostock when peace was re-established. From this date the navigation of Japan entered into a period of rapid development, and many companies were founded in various parts of the Empire.

The co-operation of the Government and capitalists led to the establishment of a large navigation company, which subsequently amalgamating with the Mitsubishi Company, resulted in founding The Nippon Yusen Kaisha, the Government granting to the new company a subsidy of 880,000 yen per annum to continue the Shanghai line, and

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to develop the nation's navigation inland and abroad.

During ten years after this there was continued progress. The number of ships increased, the education of seamen was undertaken with even greater success, the art of shipbuilding advanced, and navigation steadily developed, both inland and in Eastern Asia, extending to Hong Kong, Bombay, Philippines, Hawaii, etc., and regular lines were opened to these ports. As to how many transports were required by Japan in the Japan and China War of 1894-95, and how she met the demand by purchase and building, is too well known to need any mention. It is enough to note that the registered ships, which had been 417, of 181,819 tonnage, in June, 1894, just before the war, were increased to 503 of 310,000 tonnage, and after the Russian War this total was increased to over 1,000,000 tons. The tonnage, so increased, had to be employed after the war for peaceful, commercial purposes, and the steamers flying the flag of 'The Rising Sun' began to be constantly

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seen going in and out of the principal ports of Eastern Asia, Europe, North America, and Southern Australia. And yet the Government went on with unrelaxed zeal, encouraging further extension of lines by promulgating 'The Law for Encouragement of Navigation,' and giving protection to the building of ocean-going steamers by means of 'The Law for Encouragement of Shipbuilding,' and these efforts were well rewarded by a further great increase of ships, especially of larger ships, as shown by the following table :

Year.	Registered Ships of less than 1,000 Tons.		Registered Ships of more than 1,000 Tons.		Total.	
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.
1898	530	107,161	144	357,085	674	464,246
1899	605	115,976	148	382,400	753	498,376
1900	700	123,702	159	410,537	859	534,239
1901	799	133,556	170	443,639	969	577,195
1902	850	134,764	182	469,863	1,033	604,627
1903	891	145,077	197	511,668	1,088	656,745
1904	983	159,144	241	631,913	1,224	791,057
1905	1,098	189,161	292	743,579	1,390	932,740
1906	1,171	214,766	321	826,545	1,492	1,041,311

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The principal lines on which these steamers run are as follows, viz. : Yokohama-Melbourne line, Hong Kong-Seattle line, European line, Hong Kong-San Francisco line, Chōkō line (Yangtse line), North China line, Korean line, Japan Sea line, Shanghai line, South China line. The Government expended in 1903 a sum of over 8,800,000 yen for the encouragement of navigation and shipbuilding.

Such increase of ships and development of navigation naturally contributed to a great development of commerce, as will be seen from the following table of ships passing in and out of the Treaty Ports, which shows a wonderful result attained since 1896 :

SHIPS LEFT.

Year.	Japanese Ships.		Foreign Ships.		Total.	
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.
1892	1,035	940,515	2,497	2,699,130	3,532	3,639,645
1896	1,841	1,189,116	3,070	5,411,090	4,911	6,600,206
1900	3,845	3,429,460	2,811	6,416,520	6,656	9,845,980
1903	5,681	5,233,495	3,483	8,350,584	9,164	13,584,079

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SHIPS ARRIVED.

Year.	Japanese Ships.		Foreign Ships.		Total.	
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.
1892	1,017	952,103	2,436	2,696,821	3,453	3,648,924
1896	1,814	1,158,185	3,066	5,404,965	4,880	6,563,150
1900	3,817	3,426,531	2,813	6,399,091	6,630	9,825,622
1903	5,544	5,210,432	3,494	8,360,912	9,038	13,571,344

Still more remarkable results may be seen from the table of the export and import goods, classified according to the flags of the ships carrying them :

Year.	Japanese Ships.	Per-centage.	Foreign Ships.	Per-centage.
	Yen.		Yen.	
1892	15,677,000	9·7	144,557,000	90·2
1896	33,722,000	11·8	250,801,000	88·1
1900	148,385,000	33·7	334,253,000	66·2
1903	224,276,000	37·0	380,606,000	62·9

The above facts show that, whereas in 1892 over 90 per cent. of the total import and export goods had been carried by foreign ships, and

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only less than 10 per cent. by Japanese ships, in 1903 that carried by Japanese ships amounted to 37 per cent., against 63 per cent. carried by foreign ships. But as the annual total amounts of import and export trade during the interval had been increasing at extraordinary rates, it may be assumed that the actual amount carried by Japanese ships was more than the percentage shown above. In other words, whilst the cargoes carried by foreign ships increased by 2·6 times during the interval of ten years, those by Japanese ships showed an increase of over 14 times. As the profit gained by carriage of commodities is what the political economist would term 'the invisible export and import trade,' the real extent of Japan's progress in trade and the benefit accruing therefrom may be imagined to be far more than represented by the statistical figures in the table of export and import values. It may therefore be discovered, by carefully comparing the respective progress made by the trade of Japan and her navigation, that there are many points of coincidence.

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2. *Railways*

That the development of railways, the most important medium of land transportation, producing a marked effect on the foreign trade, has also to be taken due notice of. Such effects are naturally not so great in the case of an island-empire like Japan as would be the case in European countries, of which the Empire of Germany may be taken as an example, where there exists a close and direct connection between the development of railways and the progress of foreign trade. But the stimulation given by railways to the progress of the internal industries of Japan is very considerable, and that the development of railways is an important contribution to the progress of commerce cannot be gainsaid. Now that the railways extend over several thousand miles, and are acting the part of arteries to the system of communication in the country, the success or otherwise in management of their working will be productive of serious effects upon the welfare of the foreign trade even in this island-empire.

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Since the completion of the railways between Tokio and Yokohama in February, 1872, by the appropriation of a portion of £1,000,000 raised in London in 1870 as a loan on 9 per cent. bonds, the railways of Japan have been steadily developing in harmony with the general progress of the country's affairs. The total mileage of railways, both Government and private, now open to traffic throughout the country has attained nearly 5,000 miles, and the annual carrying capacity is estimated at 17,000,000 tons. It will be of some interest to see from the Table on p. 74 the annual progress shown at the end of every fiscal year.

It shows about a fourfold increase of the railways since 1890, and this rate of progress corresponds to that of the foreign trade during the same period, the amount of which has been found to have quadrupled. This coincidence is not a mere matter of accident, but points to the fact that the development of the railways has materially contributed to the progress of commerce.

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Year.	Mileage.	Mileage per 1,000 Square Miles.
1890 (March 31) ...	1,136	7.44
1891 " ...	1,399	9.80
1892 " ...	1,716	11.63
1893 " ...	1,870	12.67
1894 " ...	1,938	13.04
1895 " ...	2,118	14.34
1896 " ...	2,290	15.40
1897 " ...	2,507	15.52
1898 " ...	2,948	18.26
1899 " ...	3,420	21.59
1900 " ...	3,638	22.94
1901 " ...	3,855	24.28
1902 " ...	4,026	25.52
1903 " ...	4,237	27.08
1904 " ...	4,495	28.84
1905 " ...	4,689	30.01
1906 " ...	4,779	30.56

The opening of railways has in some localities led to the creation of new commercial enterprises, and in others has wrought a complete change in the features of various industrial works, utilising them for export instead of for domestic purposes. For instance, looking at the tea industry along the eastern coast of the main island and the silk industry in the northern part, it will be seen that, as these centres of

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manufacture were early connected with the open ports by railways, these industries have come to be regarded as being of an entirely export nature from the very commencement of our foreign trade ; and owing to the subsequent development of the railways giving greater facilities to these centres of manufacture, the silk and tea industries have been making corresponding progress, and these two products are now holding the foremost place among the exports of the country. This is only an instance, and there are no doubt other industries deriving similar benefits from railway development.

Looked at from the point of import business, it is easy to see that the railways are also exercising a great influence upon it, for almost every commodity, ranging from large machines down to small fancy goods, owe their distribution throughout the country principally, if not entirely, to railway facilities ; and, with the further extension of railways and their more efficient working, the import trade will, of course, make much greater progress in future.

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There are however, many districts in Japan where adequate railway facilities are wanting, while even the existing railways of the country are not worked upon a firmly established policy. Uniformity in working plan and system is lacking between the Government and the private railways, and there being a great many independent private companies, some of which are quite small, it follows that in some sense the working of railways in Japan cannot be said to be in a satisfactory condition, and much requires to be done in future. The Government have at last decided to nationalise the railways, and, with the assent of the Imperial Diet in 1906, the Bill for the nationalisation of the principal railways was passed, and the chief trunk lines are already in the hands of the Government. When the others are all taken over by the State, there is no doubt that, with the accomplishment of the needed improvements in the working system, and the construction of further new lines, Japan's railways will serve to stimulate her foreign trade in a very marked manner in the future.

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3. *Banks and Banking*

The development of the national industries and the progress of foreign trade demand as essential preliminaries well-arranged methods of finance and soundly established banking institutions, without which steady and material commercial progress cannot be attained.

The Statute of National Banks was promulgated in 1872, as a means of adjusting the paper currency, the excessive issue of which, as has been already stated, had resulted in the depreciation of its value, thereby causing much damage to commercial as well as financial interests. But as the Government did not prohibit the further issue of inconvertible paper money, and instead endeavoured to encourage the establishment of banks authorised to issue it, the depreciation in the value of paper monies increased still further, and as a result the excess of imports over exports and the flowing of specie out of the country seemed so boundless, that at last the banks found themselves practically unable to carry on business.

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This state of affairs necessitated the revision and amendment of the Statute of National Banks in 1876, thereby making provision for a method of exchanging the inconvertible paper money of the Government issue for the convertible paper monies issued by the National Banks. At this juncture the Government had to settle the matter of the pension bonds, handed over by the old feudal clans, by replacing them with Government Bonds, just in the same way as King Victor Emmanuel had done at the time of the Italian Unification when dealing with the privileged classes in the Papal domains. The National Banks were authorised by the Statute to issue paper monies against their capitals, represented for the greater part by these Government Bonds, which immediately after the revision of the Statute made different localities vie for the establishment of National Banks. There sprang up within two years more than 150 National Banks, with an aggregate capital of 39,000,000 yen, which no doubt assisted in promoting commerce ; but the paper monies so largely issued having been of an

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inconvertible nature, the general condition of finance became still worse, and many banks were on the brink of bankruptcy.

When affairs were brought to this extreme state, a drastic measure for adjustment was at last adopted, and as the adjustment began to tell effectively, the necessity for reorganising the smaller National Banks, as well as for the establishing of a large central bank, was keenly felt. In 1882 the Bank of Japan was established, and, with its foundation strengthened year after year and its working made more and more smooth, the hopes originally entertained of the establishment were realised, and the general banking business of the country assumed an aspect of activity and prosperity. In 1896 the term fixed by the law for carrying out the business of the National Banks came to an end, and as the more important of them had been making the necessary preparations for the continuation of their business as private banks, not issuing currency, they at once took steps to change their status, and became wholesome financial institutions, joining the ranks of those

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private banks that had been already established, and conducting their business according to the Statutes of Banks and Savings Banks promulgated in 1890. In recent years some special banks, such as the Hypothec Bank of Japan, the local Hypothec Bank, and the Industrial Bank of Japan, were established, and the financial organs for commercial and industrial enterprises of the nation may be said to have been very nearly perfected.

NUMBER OF THE BANKS AT THE END OF 1903.

Banks.	No. of Offices.	Capital Paid up.	Reserve Funds.	Balance of Deposits.	Balance of Advances, etc.
		Yen.	Yen.	Yen.	Yen.
Bank of Japan ...	1	30,000,000	17,150,000	16,396,000	94,475,722
Hypothec Bank	1	3,250,000	460,000	—	21,795,000
Industrial Bank	1	2,500,000	243,000	1,640,000	4,595,000
Yokohama Specie Bank ...	1	18,000,000	10,586,000	72,871,000	31,966,000
Hokkaido De- velopment and Colonisation Bank ...	1	2,700,000	106,000	746,000	2,607,000
Formosan Bank	1	2,500,000	247,000	5,599,000	5,082,000
Local Hypothec Banks ...	46	27,807,000	1,986,000	4,760,000	27,881,000
Common Banks	1,754	258,397,000	50,502,000	556,227,000	380,873,000
Savings Banks ...	685	34,924,000	5,404,000	46,014,000	54,555,000
Total ...	2,491	380,079,000	86,688,000	714,258,000	579,453,000

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NUMBER OF THE BANKS AT THE END OF 1906.

Banks.	No. of Offices.	Capital Paid up.	Reserve Funds.	Balance of Deposits.	Balance of Advances, etc
		Yen.	Yen.	Yen.	Yen.
Bank of Japan ...	1	30,000,000	20,100,000	401,499,764	137,575,265
Hypothec Bank	1	3,250,000	1,199,855	—	29,588,652
Industrial Bank	1	13,750,000	409,100	20,312,458	15,673,903
Yokohama Specie Bank ...	1	21,000,000	13,934,861	120,303,439	97,340,181
Hokkaido Colon- isation Bank	1	3,004,395	250,000	3,529,529	6,687,911
Formosan Bank	1	2,500,000	633,000	10,171,130	13,392,611
Local Hypothec Banks ...	46	28,294,960	3,852,438	6,967,054	32,102,535
* Ordinary Banks	1,678	253,257,480	62,724,651	810,700,821	836,552,718
* Savings Banks	688	40,909,004	8,852,435	172,916,556	109,187,351
Total ...	2,418	395,965,819	111,956,340	1,546,400,751	1,278,101,127

* Represents the figures at the end of the first half-year.

Of the above banks, the principal institution for foreign trade is the Yokohama Specie Bank, established as early as 1880, and its principal business lies in discounting foreign bills of exchange. The Government, attaching considerable importance to the formation of this bank, subscribed one-third of the whole capital. Some years after its establishment, the bank, failing to adequately meet the difficult circumstances created by the heavy depreciation of

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paper money and the large outflow of specie, was threatened with liquidation ; but the Government coming to the rescue, it was able to pull through, and has gradually succeeded in attaining its present position of great stability. The bills negotiated through this bank in 1903 were as follows :

	Internal.	Foreign.	Total.
Drafts drawn at other places ...	36,173,000	29,376,000	65,550,000
Drafts drawn from other places ...	59,087,000	26,868,124	85,955,000
Discounts drawn from other places	79,368,000	67,364,000	146,732,000
Discounts drawn at other places ...	64,571,000	80,481,000	145,053,000
Collections drawn from other places	12,691,000	11,300,000	23,991,000
Collections drawn at other places	36,127,000	427,000	36,555,000

The bank's business in discounting is steadily increasing, and although there may be still some details in the working of its business that require improvement, if viewed from the standpoint of the ever-advancing foreign trade,

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yet there is no doubt the bank will ultimately arrive at a stage of satisfying every demand that may be made upon it as the principal organ for the smooth working of the foreign trade.

4. *Insurance*

This, an important element in connection with the foreign trade, has likewise received attention, and in 1878, soon after the South-West Insurrection War, a Marine Insurance Company was organised. According to the statistics for 1905, there are now three Japanese companies engaged in this business, with a capital of 7,500,000 yen, 1,857,000 yen being paid up, and the reserve funds amounting to 3,854,000 yen. These companies, in conjunction with the foreign insurance companies, are quite capable of insuring the safety of sea risks.

* * * * *

To sum up, I may say that the foreign trade of Japan, guided and protected by the practical adoption of the business-like policies of the

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Government, has made a great advance, together with the development of national industries, the progress in navigation and railways, the good arrangement of financial institutions, and anyone reflecting upon these points will admit both the healthy growth of our commerce in the past and the solidity of its foundation at present. As a practical man of business, I do not care to make a forecast, but, judging from the past growth and the present state of our foreign trade, I may confidently say that its future augurs really well.

FUTURE PROSPECTS OF THE FOREIGN
TRADE OF JAPAN

CHAPTER VII

FUTURE PROSPECTS OF THE FOREIGN TRADE OF JAPAN

THE progress and expansion of any undertaking, whether it be engineered by a nation or an individual, must always depend upon the material wealth and energy possessed by such nation or individual, and must always advance in the direction of least resistance. If, bearing this in mind, one attempts to foretell the future of the foreign trade of Japan, it is not difficult to conjecture in which direction the expansion will be most marked.

The most progressive of our staple goods for commerce in the past, and those which will experience the least resistance in the future, are silk goods.

1. *Silk and Goods Manufactured of Silk*

These have been considered to be the most important products of Japan since the opening

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of the Treaty Ports, and have ranked as the chief among the export goods of the country. The amount of production has been yearly increasing, owing to the diligent efforts of those connected with the trade, and the value of exported silk has reached the figure of over 150,000,000 yen per annum, about one-third of the total exports. Yet, in spite of such a flourishing state, they cannot be said to have nearly approached their zenith, for an investigation of the nature of their production and the destinations of their export will show that there is still an ample field for further development.

The art of sericulture and silk manufacture was anciently introduced to this country from China, but the historical record of its development dates from the time of Taiko Hideyoshi's Administration. As a result of Hideyoshi's well-known Korean expedition, many of the Korean industries, including silk culture in an advanced state, were introduced into Japan, and during the period of peace and prosperity succeeding that epoch, the internal demand

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for such articles of luxury as silk fabrics considerably increased, and led to extensive silkworm rearing in Northern Japan and many other districts where the climate is comparatively cold. Subsequently, on the Treaty Ports being opened at the end of the Tokugawa regime, the demand for silk for exportation acted as a stimulant to the industry, and in consequence mulberry trees were planted almost all over the country. About this time the 'Samurai' families, deprived of their hereditary allowances on account of the abolition of the feudal system, were obliged to seek for a new occupation, and many of them took to silkworm culture as an occupation of a comparatively refined nature. It was then also discovered that the districts with a warmer climate were not unfitted for the cultivation of mulberry trees. These conditions helped to steadily develop sericulture, and eventually made it one of the most important of national industries.

Among the principal causes that aided in the development of the silk industry to such

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an extent as to make it the chief national industry are : the mild climate of the country, exactly suitable to the growth of silkworms ; the natural aptitude of the people for such a culture ; and the small cost of living for those engaged in the industry, due to the cheapness of all food-stuffs in Japan. If any one of these conditions had been lacking, the development of the industry would have been wellnigh hopeless, especially as it requires so much manual labour that a good profit could not be expected without the availability of cheap food-stuffs—the real basis of wages. As the silk industry begins with the rearing of small and feeble worms, requiring very delicate treatment, both natural and artificial, it is attended more with the risk of failure than the certainty of profit. This, according to my opinion, is one of the causes of retrogression in the silk industry of France and Italy ; but it should, on the other hand, be a good reason for Japan's being able to further develop her silk industry. In France or Italy the climate is as good as Japan's for the growth of silk-

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worms and mulberry-planting, but the aptitude of the people and the price of food can bear no comparison with those obtainable in Japan. It is a well-known fact that the Japanese are unsurpassed in delicate handicrafts, and this advantage becomes more marked where the application of machinery is hardly, if at all, required. Consequently, some classes of industry, of which sericulture may be taken as an example, presenting serious difficulties to the French or the Italians, suit the Japanese very well. In almost every district of Japan the farmers themselves will be found engaged in the cultivation of rice and other grain forming the staple food of the people, while their families will be busily occupied with the rearing of silkworms, thus putting into practice the ideal recorded in ancient history of a wise Emperor himself tilling the ground for rice-growing in the palace garden in order to get a knowledge of the actual conditions of farming, and of an Empress with her Court ladies engaging in rearing silkworms as a practical lesson in sericulture.

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The fact that in Japan the cost of living is much lower than in other civilised countries is one factor that makes the future prospect of all industries in the country very promising. The mode of living will, of course, become higher as the national wealth increases, but so long as the Japanese do not completely change their method of living, the cost would always be found to be much lower than in other civilised countries. Although the arable area of Japan is not large, sufficient rice, grain, and vegetables are produced for the daily consumption of the people; and in addition to these, the supply of fish furnished by the surrounding sea is inexhaustible, and serves the people as cheap nourishment. Should the rice crop be short, grain can be imported cheaply and in any quantity from neighbouring tropical regions. Consequently, so long as rice and fish suffice to make the muscles and sinews of the Japanese, the cost of their living will be cheap; and so long as the cost of living continues to be cheap, the profits afforded by those industries catering for export will necessarily be great.

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The reproductive power of the fish in the sea surrounding Japan is so enormous as to be almost past estimate. The people of Japan have been subsisting on fish as their regular food for thousands of years, and have scarcely taken any measures for the protection of fish reproduction, and yet, in spite of such an unrestricted and indiscriminate system, not only has no apprehension of diminishing the supply of fish ever been felt, but the surplus caught is enough to provide manure for enriching the productive powers of the land.

From the foregoing it may be said that the supply of fish along the coast of Japan is nexhaustible, and compared, for instance, with China, the fishery of which is recorded to have been considered as yielding only a poor return even before the Christian era, a vast difference is apparent. Whether the abundance of fish in the sea along the Japanese coasts is due to a peculiar relation with the tides, or to volcanic action making the form of the sea-bottom just as irregular as the features of the land, thereby

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giving every facility to fish reproduction, must be left to special scientists to investigate. Here it is sufficient to note the fact that the Japanese being able to collect one of their staple foods from an inexhaustible submarine store has enabled them to utilise their plain land, of very limited extent, for other productive purposes in a manner that is beyond the conception of other nations. For instance, the cultural area of Japan is about 23,352,000 acres, whereas the cultivated area of Great Britain is 37,156,000 acres; but the British have to use the greater portion of the available pasturage for obtaining their meat, whereas the Japanese, being able to obtain much of the food required from the sea, can utilise a similar space either for growing rice or other grain, or planting mulberry trees, tea plants, etc.—a circumstance that will prove directly and indirectly beneficial to the various industries of the country.

It is said that in the United States much hope is entertained of the silk industry on account of the abundance of indigenous mulberry trees in the valleys of the Mississippi;

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but the mere abundance of mulberry trees does not necessarily mean success in the silkworm culture, which, as already explained, requires a delicate treatment peculiar to itself. I would therefore say that so long as the Japanese are possessed of their clever handicraft and can obtain cheap living, they can not only hold their own place in the silk industry, but remain unsurpassed by any other people.

Lastly, regarding the world's demand for silk fabrics, there is no need of apprehension of any decrease, but every prospect of a material increase as wealth increases and the love of luxury grows. Consequently, I have no hesitation in saying that future prospects for Japanese raw silk and silk goods as staple items of merchandise for foreign trade will go on improving.

2. Cotton Yarns and Cotton Fabrics

Next to raw silk and silk goods having for their chief customers Europe and America, the most promising products of Japan are cotton yarns and goods manufactured for the Chinese

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market. I believe that no country, without holding a specially favourable position in the trade for cotton yarns and cotton fabrics, can ever hope to derive much profit out of the trade with China in future.

That Great Britain, the United States, and Japan, which have hitherto bestowed special care upon and zealously worked for the cotton spinning and weaving industries for exportation to China, have been able to export large quantities of these goods, and in consequence to assure leading positions in the import trade of China, will be seen from the Table on p. 97. But when the vast extent and population of China are considered, even the quantities shown above may be said to be comparatively very small, and there is no doubt that the demand for this class of goods will go on steadily increasing as China's 'open-door' policy is more widely carried into effect. This will obviously tend to increase the export trade of the above-mentioned countries in cotton yarns and cotton goods; but, fortunately, their interests will not be found to clash, because the goods supplied

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TABLE OF COTTON YARNS, ETC., EXPORTED TO CHINA.

	1903.	1902.	1901.	1900.	1899.	1898.	1897.
Cotton yarns:	H. Tls.	H. Tls.	H. Tls.	H. Tls.	H. Tls.	H. Tls.	H. Tls.
Great Britain ...	640,568	1,005,870	1,350,976	717,149	1,334,998	1,832,302	1,280,510
India ...	45,279,099	41,050,166	35,937,651	19,214,514	36,371,170	26,832,302	26,582,946
Japan ...	20,759,664	12,087,810	11,297,538	10,044,515	16,901,045	10,383,716	6,409,506
Hong Kong ...	208,426	131,028	107,667	—	—	—	—
Others ...	488,548	518,693	318,175	211,194	333,368	246,412	157,155
Total ...	67,376,305	54,793,567	49,012,005	30,187,372	54,940,581	39,294,732	34,430,117
Cotton fabrics:							
Great Britain ...	14,681,024	3,410,602	1,421,979	2,083,529	1,270,320	1,757,112	1,669,446
India ...	150,965	409,474	42,731	167,137	228,259	142,594	538,582
United States of America ...	16,224,235	22,684,743	12,715,921	8,959,317	14,098,839	10,056,340	11,427,552
Japan ...	2,531,644	1,820,950	1,197,700	827,372	1,157,535	536,708	489,567
Others ...	27,655,831	44,425,973	35,301,048	33,381,633	31,769,514	25,831,338	30,108,016
Total ..	61,243,699	72,751,742	50,679,379	45,418,988	48,524,467	38,324,092	44,233,163
Grand total ...	128,620,004	127,545,309	99,691,384	75,606,360	103,465,048	77,618,824	78,663,280

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by each of them are of very different and also peculiar natures. Great Britain, which holds the longest record in this industry and is the senior trader in the Chinese market, will have a special advantage in exporting her well-known Manchester goods. The United States, excelling in operating large industrial works by the newest machines, will have a special facility in exporting goods of lengthy pieces and similar patterns. Japan, situated so near to the China market, will be better able to manufacture and supply those goods of various kinds which suit the constantly changing tastes of the consumers. The consideration of the great interests involved in this business alone will sufficiently explain the sincere desire of Japan, who has some 35,000,000 yen invested in her spinning factories, for the preservation of China's integrity and the accomplishment of her 'open-door' policy.

3. *Forestry*

Composed of numerous islands scattered over the eastern part of the Pacific Ocean and com-

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pletely surrounded by sea, Japan is regarded, like Great Britain, as a maritime nation ; but by virtue of the condition of the greater part of her land area, she is entitled to be called a country of forests, just as Northern Russia is so called in contrast to Southern Russia, which is known as a country of steppes. The total area of Japan, with the exception of Formosa and the minor islets, is 88,107,000 acres, of which 54,609,000 acres are estimated to be forests and woodlands. This means that the forests make up 61·9 per cent. of the total area. The following Table shows how other European countries having about an equal area compare in this respect :

OAK AND OTHER HARD WOODS.

	Total Area.	Forest Area.	Percentage of Forest to Total Area.
	Acres.	Acres.	
Japan ...	88,107,000	54,609,000	61·9
Great Britain	77,109,000	3,038,000	3·9
France ...	132,506,000	20,741,000	15·6
Germany ...	133,364,000	13,995,000	10·5
Austria ...	74,178,000	24,151,000	32·5
Hungary ...	80,275,000	22,198,000	27·6
Italy ...	70,821,000	11,111,000	15·7

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From these figures it will be seen that even the forests of Austria and Hungary, the countries considered richest of all Europe in forest area, have only half the forests Japan possesses ; while the area of the forests of Germany, which draws a revenue of 100,000,000 marks' worth from its Prussian forests alone, is not more than one-quarter of that of Japan.

It is, however, to be admitted with regret that Japan's forests, in spite of their being so extensive, are not yielding much, as will be seen from the following Table of annual yields and expenses in recent years :

	Amount of Convertible Timber.		Planting Operations.	
	Volume.	Value.	Area.	Expense.
	Cubic Feet.	Yen.	Acres.	Yen.
1900 {	45,212,000	35,519,000	717,761	2,565,000
	80,349,000*			
1901	378,266,000	31,878,000	232,743	2,136,000
1902	406,368,000	38,790,000	254,598	2,296,000
1903	—	—	—	—
1904	—	—	—	—
1905	—	—	—	—
1906	—	—	—	—

* Pieces.

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Reviewing the case from the standpoint of the foreign trade, the values of the various timbers, etc., exported during recent years are as follows :

	1906.	1905.	1904.
	Yen.	Yen.	Yen.
Sleepers	2,025,889	1,118,591	976,000
Wood for tea-boxes	632,665	464,711	549,000
Match-wood ...	—	118,411	196,000
Wood-chip braids	1,143,859	1,626,873	1,336,000
Miscellaneous wooden materials	—	—	1,692,000

	1903.	1902.	1901.	1900.
	Yen.	Yen.	Yen.	Yen.
Sleepers	923,000	522,000	488,000	555,000
Wood for tea-boxes... ..	539,000	413,000	270,000	398,000
*Match-wood ...	210,000	175,000	189,000	153,000
Wood-chip braids	1,246,000	464,000	244,000	138,000
Miscellaneous wooden materials ...	941,000	997,000	696,000	533,000

* In addition, the value of exported matches amounted to 10,360,000 yen in 1905, and to 10,915,000 yen in 1906 ; but the value of the wood alone being unknown, this item

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At the present stage the forest products of Japan, with the exception of manufactured matches, seem hardly worth attention as a separate class of exported goods ; but the fact that they are steadily increasing year by year should not be overlooked. There should also be taken into consideration the fact that the style of living among the Japanese requires a large internal consumption of wood, both as fuel and for building purposes, and for the manufacture of furniture and utensils, in quantities far exceeding those usual either in America or Europe. That Japan is able to gradually increase her exportation of forest products shows how ample are the resources of her forest lands. Depending almost entirely upon the forests for the supply of the building materials of their houses, and being also aware of the absolute necessity of keeping the forests in good order

has not been included among the figures given above. Since last year Japan has begun the exportation of hard wood from Hakkaido to England, the Continent, and other countries, and there is every prospect of the business growing in future.

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for the maintenance of a good supply of the water required for irrigating their all-important rice-fields, as well as for guarding against inundations, from ancient times down to the feudal period wise lords and statesmen in every age used to bestow very great care upon forestry. Unfortunately, at a period ranging from the last days of the Tokugawa regime to the early years of the Meiji era, this wise policy was for a time completely neglected, resulting in very injurious effects. The great necessity for proper care and adjustment of the forest management, however, has since been generally recognised, and the Government has been taking various important measures in the matter, causing the planting and proper cutting of trees all over the country to be carried out in accordance with the best and most scientific principles and methods. This being so, if further efforts be made hereafter for the proper cultivation of trees, together with the making of good roads, adoption of portable rails, etc., necessary for facilitating the transportation of timber, the production of the forests of Japan

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will greatly increase, and so contribute to the progress of the export trade.

Whilst on the subject, the development of Formosan resources is worthy of special attention. As is well known, two-thirds of the total area of Formosa are mountain districts, in which the sources of the wealth of the island are mostly to be found, and one of the most important of these are the forests of vast extent, some of which would require many days to cross them, and which are capable of yielding many valuable products, the camphor trees of world-wide reputation being one of them. Unfortunately, the districts of these resources are in the possession of untractable aborigines, and were left untouched during the Chinese Administration; but now that the results of the Formosan Administration under the Japanese Government are beginning to be gradually realised, this source of wealth will, no doubt, be duly developed in the near future and will materially add to the total production of the forests of Japan. On the whole, it is not difficult to predict a large development in the

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exportation of Japan's forest yields in the near future.

4. *Mineral and Metal Products*

The land of Japan not only yields rich and fertile soils on the surface, but contains enormous wealth under the ground, for in the principal mountains and hills of the Empire are vast deposits of minerals.

Since the revision of the mining laws in 1890, repealing many inconvenient restrictions till then in force, progress in the mining industry has been very marked. The following Table, showing the increase of the leases issued during the last ten years, will give a general idea of the progress :

Year.	Mining Leases.		Prospecting Leases.	
	No.	Area in Acres.	No.	Area in Acres.
1893	3,513	152,764	5,700	671,406
1902	5,980	663,843	6,467	2,026,670

If the leases in 1902 be classified according

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to the principal minerals, the following will be the result :

	Mining Concessions.		Prospecting Concessions.	
	No.	Area.	No.	Area.
Gold and alloys	332	40,059	555	176,990
Silver and alloys	335	23,360	142	34,270
Copper and alloys	528	36,664	443	121,492
Iron and alloys	45	4,155	201	70,002
Antimony ...	57	1,689	3	5,935
Manganese ...	120	4,299	127	33,263
Coal ...	886	126,324	1,899	589,501
Petroleum ...	—	—	2,788	897,354
Sulphur...	115	7,107	107	36,934

What returns the productions of these mines are affording for export purposes will be seen from the Table on p. 107.

In fact, almost the whole of the antimony and sulphur, 70 to 80 per cent. of copper, and 30 to 40 per cent. of coal, are exported, copper having been known under the name of Japanese copper all over the world since the commencement of the foreign trade of Japan. That the boring for the petroleum oil so much demanded

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	1906.	1905.	1904.	1903.	1902.	1901.	1900.
Copper ...	Yen. 25,104,000	Yen. 16,048,000	Yen. 12,907,000	Yen. 14,906,000	Yen. 10,261,000	Yen. 13,904,000	Yen. 12,725,000
Copper manufac- ture ...	—	—	579,000	531,000	373,000	233,000	272,000
Antimony and manufactures ...	—	—	540,000	531,000	362,000	159,000	183,000
Manganese ...	—	—	—	77,000	52,000	187,000	224,000
Gold and silver ware ...	—	—	110,000	127,000	181,000	98,000	60,000
Iron ware ...	—	—	872,000	664,000	437,000	368,000	247,000
Other metals and manufactures ...	—	—	—	1,567,000	1,179,000	1,056,000	770,000
Coal ...	16,280,000	14,267,000	14,828,000	19,260,000	17,270,000	17,542,000	13,703,000
Sulphur ...	1,291,000	971,000	950,000	947,000	759,000	661,000	698,000

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for daily consumption, and of the iron ores so greatly required for industrial purposes, has made great progress in recent years is a point to be well noted in connection with the mining industry of Japan. The most recent articles of mineral exports to European countries are copper pyrites and zinc ore, from the former of which copper and sulphuric acid are extracted.

But the progress in the mining industry of Japan has been somewhat slow in comparison with other industries. Out of some 6,000 mines, there are certainly some producing over 1,000,000 yens' worth annually, and equipped with large up-to-date machines and plants for mining and metallurgical working; but taking the mining industry of the country as a whole, the working seems to be still in an incomplete stage, large amounts of the ores hidden underground being left untouched. Indeed, it may be said with confidence that, from a mining point of view, Japan offers as much interest for development as the neighbouring countries of China and Korea.

With the proper development of her mineral

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resources, Japan will be able to produce greatly increased quantities of gold, copper, and coal, and to provide herself with sufficient quantities of iron ores to supply at least a considerable portion of her own demand. As for coal, there will be much more demand for it for home consumption as internal industrial works get generally developed ; but there being a prospect of water power coming to be extensively used for motive power in Japan, much saving of coal consumption may be reasonably expected, thus enabling the Japanese to supply coal to meet the increasing demand that will surely arise with the rapid increase of the world's war and merchant vessels plying in the Far Eastern seas in coming years. This will, of course, afford a great impetus towards the further development of coal-mining in Japan.

5. *Production of Fine Arts and Industrial Arts*

The greater part of the goods exported from Japan to Europe and America, exclusive of silk, silk fabrics, and tea, consists of works of fine art.

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The tendency of the export trade of Japan is to sell the produce of large factories to the markets of the countries comparatively low in civilisation, and to supply the markets of the civilised countries with her special works of art, and this tendency will probably be long maintained. Every endeavour should therefore be made to encourage the production and exportation of these works of art, in order to promote business interests between Japan and the other civilised countries of the world. Of such works of art as lend themselves to statistical record, the following Table will show the respective values exported during the last five years :

	1902.	1903.	1904.	1905.	1906.
	Yen.	Yen.	Yen.	Yen.	Yen.
Coral, worked or otherwise	436,146	870,980	436,472	538,315	679,183
Ivory works...	213,806	247,286	174,803	—	—
Lacquered ware ...	889,079	852,682	1,023,292	1,234,021	1,721,531
Lanterns ...	135,945	100,134	166,980	—	—
Porcelain and earthenware	2,461,544	3,169,008	3,873,021	5,324,344	7,942,927
Cloisonné ...	183,537	241,597	220,140	—	—
Screens ...	433,761	456,516	376,955	510,484	664,555
Embroidered tissues ...	—	—	24,644	—	—

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The greater part of the articles mentioned in the Table on the last page are exported to Europe and America. Of those which can be regarded as pure works of fine art, there is no statistical record ; but their exportation as the personal effects of visitors and travellers is yearly increasing.

Japan is generally regarded as the country of fine arts in the East, but the true worth of the fine arts of Japan is appreciated only by a limited number in Europe and America. When Japan, as a nation, becomes better known to the world, her people's character will be better understood ; and this will lead to further appreciation of the fine art products of Japan by the world at large.

Thus the products of industrial arts, with designs based on the fine arts, may come to assume an important place among the articles of decoration in Europe and America. The arts, both fine and industrial, of Japan, with their old historical records, are bound to be further improved as the Japanese people gain a higher standing among the civilised com-

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munities of the world, and there is thus every prospect for an increase of the production of works of art as articles of export.

6. Promotion of Internal Industries

Apart from those staple products of Japan for export purposes already mentioned, the most important considerations for determining the future prospects of the foreign trade of Japan are the questions of the opportunities, facilities, aptitudes, and financial capacities, which Japan possesses for developing her industries.

Even now there are some people who have doubts as to the future of Japan as a country of industry, but such apprehension is a result either of misunderstanding or of a failure to comprehend the true state of affairs in Japan. My own conviction is that Japan possesses almost all the elements essential for making great advancement as an industrial country, and it may be well to recapitulate them here briefly.

1. One requirement for the development of industries is the supply of raw materials.

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Japan cannot, of course, produce within her limited island-empire all the raw materials she may require for her industries, which will expand almost boundlessly ; but her geographical position, and the fact of her having such large producers of raw materials as China, India, Australia, and America as near neighbours, will enable her to obtain cheaply from those markets cotton, wool, minerals, etc., as she may need them, and import them oversea at moderate freights. It therefore remains for her only to exercise her discretion in the choice of suitable markets.

2. The motive power for industrial works can be amply obtained by her coal being more extensively mined under improved methods ; and, in addition to this, the utilisation of water power has lately made a marked advance, and is showing excellent results as a motive power for electric lighting and traction, and various other machinery. Japan is well known for her varied scenery, and is rich in lakes, rivers, rapids, and waterfalls, all of which can be gradually utilised as producers of comparatively cheap and in-

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exhaustible powers. As to the capacity of coal production, the present annual output of 10,000,000 tons may be doubled without much difficulty if required, and a good portion of this may be exported as the utilisation of water power gets more advanced.

3. The skilled labour of Japan is by no means of a low grade. The great increase in the importation of raw materials and machinery, with a corresponding increase in the exportation of manufactured goods, during the last twenty years, shows that our workmen have been gradually trained in various industrial works and in the handling of machines. Many of these manufacturers are now vieing with each other to purchase the most improved and up-to-date machines, while the workmen themselves can often suggest improvements on newly-imported machines to make them more efficient. This shows that the extent of their knowledge is by no means despicable. There still seem to be some who, not conversant with the true state of affairs in Japan, imagine that the industries introduced from Europe or America are being

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carried on under the guidance and superintendence of foreigners ; but if these persons should visit, for instance, Osaka, generally regarded as 'the Manchester of Japan,' they would be convinced of the fact that all the factories are worked exclusively by native engineers and workmen.

From an economic point of view, these works, superintended and worked by Japanese receiving low wages, are bound to be lucrative. The most remarkable example is the case of the Navy Arsenal at Kure. Only ten years have elapsed since the establishment of the Arsenal, and yet all kinds of guns—from cannon of 12-inch calibre to the most intricate machine guns, as well as all kinds of torpedo appliances—are manufactured there. Powerful cruisers can now be built at the Government dock, and within a year hence armour-plates will be rolled and large battleships will be constructed. All these wonderful works, with the exception of the machines imported, are not controlled by foreigners, but are worked by over 8,000 hands, directed by Japanese

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naval officers and engineers. In this way the workmen of Japan are undergoing training, and gaining experience in industrial works of both a warlike and a peaceful nature. Add to this the progress recently made in the system of technical education by the strenuous joint efforts of the Government and the people, which now enable Japan to supply diligent and capable young men properly educated for the various requirements demanded by her industries, and it will be obvious that the great advancement of Japan's industrial and commercial undertakings is sure of being maintained. There is yet another point worth mentioning, namely, that with the general progress of national education the efficiency of the workmen is augmented, and their characters are improved, making them a body of gentle and quiet men, easy to control. Such things as the large organised strikes so often occurring in Europe and America, to the great detriment of industrial works, have never been heard of in Japan, and it is not at all likely that with the improvement in factory regulations, backed by

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sound legislative Acts, the industries of Japan will ever be harassed by these undesirable events. This satisfactory circumstance may be taken as one of the factors guaranteeing the future development of industry in Japan.

4. The fact that capital, the most important requirement for the development of industries, is comparatively insufficient in Japan, even the most optimistic of her people could not deny. But should Japan succeed in installing herself as a member of the world's economic community, the necessary capital will flow into the country, gradually but surely. Japan, who so highly appreciates the true value of the 'open-door' policy, will never be so foolish as to shut it against the admission of foreign capital, and when all the restrictions relating to land, mines, railways, etc., are removed,* the industries of Japan will be able to enjoy the full and unrestrained benefit of foreign capital.

* At the last session of the Diet certain legislative reforms have been effected, resulting in the promulgation of the laws of mortgage of railways and factories.

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10 In such an event, however, the foreign capitalists intending to invest in Japanese industries should see the advisability of leaving the working of such industries solely to the Japanese. If they should insist upon employing officers, engineers, and workmen of their own nationalities, it is very likely that they would find their undertakings either failures or at the best not good profit earners. The young men of Japan, as already explained, are generally trustworthy and capable, either as managers, engineers, or workmen, being well educated for and experienced in the duties required of them, and, moreover, they work hard for a comparatively low wage. Should foreign capital at low interest and the cheap but skilled Japanese labour work in combination, all the industrial undertakings in Japan would be crowned with success within a few years.

5. In connection with the admission of foreign capital, the profit to be realised from the visits of foreign travellers to Japan will be an interesting subject. With the wonderful progress recently made in the systems of com-

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munication, the national intercourse in general has remarkably advanced, and, in consequence, what the people of the country spend travelling abroad, and what the visitors spend during their sojourn in the country, have come to be regarded as an important item in the equation of international indebtedness. In this, however, Japan happens, fortunately, to be a small debtor and a large creditor, and in this respect may be compared to Italy or Switzerland. A favourable climate, good air, and fine scenery make Japan one of the public gardens of the world, and it follows that the amounts expended by European and American visitors in the country are considerable, even at present. It may be expected that, with increasing facilities and comfort in navigation, the number of visitors and travellers to Japan will be greatly increased; and as endeavours are being made by the administrative authorities of the principal cities and the private influential parties interested to make the stay of their visitors comfortable and enjoyable, while the general attitude of the Japanese public towards foreign

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visitors is polite and considerate, the purses of these visitors will be freely opened to supply no small portion of the capital required by Japan.

7. Good Prospects of the Import Trade

If the future development of her internal industries be assumed to be so promising as has been depicted, the future prospects of the foreign trade of Japan may be said to be very bright. The increase in exports will serve to add to the profit of general trade, and stimulate a corresponding increase in imports, because, as the Japanese are not the sort of people who simply hoard up whatever they have gained through commerce, but spend it partly to further improve their industrial works and partly to raise the scale of living, the increase of gain in the export trade will tend to increase correspondingly the importation of raw materials, new machines, and articles of luxury. In this way the trade of Japan will go on expanding both in imports and exports as rapidly at least as in the past. In this

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connection a special remark will be necessary in regard to the trade with the United States. There was once a complaint on the part of the Americans that Japan would not import from America even one-tenth of what the Americans were then importing from Japan. But that is now a thing of the past, for since then the rapid development of various factories in America, especially for the manufacture of machinery, as well as of the iron and steel industry, has been going on side by side with the great improvements in transportation across the American Continent and the Pacific Ocean, resulting in the creation of strong competition between American and European goods in the Orient. The American goods imported to Japan have made a most conspicuous increase in recent years, 10,000,000 yen in 1894 having been increased to 46,000,000 yen in 1903—that is, over quadrupled within ten years; and as the development of the internal industries of Japan will surely call for an increased importation of machines and such raw materials as cotton, etc., the importation to Japan of the

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goods and machines peculiarly American will be more and more increased. Moreover, how far navigation in the Pacific Ocean will be developed in regard to numbers, tonnage, and speed of ships is beyond conjecture. The result of such developments will bring about more intimate business relations between the two neighbouring nations in possession of the opposite coasts of the ocean, establish firm markets mutually, and prove each other the best of comrades in the commercial campaign in the great future market of China.

Furthermore, when the great scheme for the connecting up of the Atlantic and the Pacific Oceans by way of the Panama Canal has been completed under the reliable superintendence of the United States, the commerce of the world, especially that of the Pacific, will undergo a great change. It is almost a certainty that this great change will affect the commerce of Japan to a very great extent. At present its largest export trade is carried on with the United States. It is four times as much as the trade with England, twenty times

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as much as with Germany, and twice as much as with the French. Again, in the same way, the imports of Japan come largely from America. It is a well-known fact that, with the exception of San Francisco, America has no great ports upon her western coast. Even if she had, her great manufacturing towns, her great engineering cities, such as Pittsburg, Philadelphia, Pennsylvania, and Chicago, are all situated much nearer her eastern ports than those on the western coast. At present all her exports to Japan have to be conveyed by rail, which means a heavy, almost prohibitive, expenditure in freightage, or are shipped for the long voyage round Cape Horn. When the Panama Canal has been completed there will be a great saving. Goods can then be shipped from New York, Boston, Baltimore, and New Orleans direct to Japan without a change in transit, and the time involved, allowing for that at present wasted in transit from rail to steamer at San Francisco, will not be longer. The risk of transshipping machinery will be minimised and the expenditure decreased ; but not only

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will this be the case in imports from America, but also with Japan's exports to the United States. The largest items in this trade are tea (America importing three-fourths of this product), raw and floss silks, and other small goods. Both of these materials are essentially bulky, and the vast freightage now paid for railway transit across the States will be saved. Again, when the Panama Canal has been completed, Japan will be able to compete in the trade of the Mexican Gulf. At present a Japanese boat is never seen at such ports as Vera Cruz or Tampico, for the simple reason that the long voyage round 'the Horn' is so expensive as to make her unable to compete with the European and American trade. In the same way the vast field for commercial enterprise in the South American countries like Brazil, the Argentine, and Venezuela, will be opened up to Japan, and there is but little doubt that she will not be slow in claiming and receiving her full share.

From a commercial point of view the completion of the Trans-Siberian railway from

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Moscow to Vladivostock cannot assist Japan except to a very small degree. It merely serves as a ready and rapid means of bringing the business men of West and East together. The journey takes but thirteen days, and England can be reached in nineteen. As I have already said, 'a hundred letters are not worth as much as the interview of one afternoon,' and the Trans-Siberian line will serve a useful purpose in making these 'interviews of one afternoon' a possibility.

8. *Other Observations*

Those who treat on the commerce of Japan often deplore the fact that the standard of her commercial morality is not very high, and that Japanese merchants are untrustworthy. Some of them go so far as to suggest that in transactions with Japanese merchants one must be on the alert for fraud. It must be admitted that in the early stage of commerce, after the opening of the Treaty Ports, when there did not exist a thorough understanding between the Japanese and the foreign merchants, some deplorable

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usages and tendencies in transactions, partly due to insincere intentions and partly to mutual misunderstanding, were observable; but with the development and progress long since made in commerce, the business credit of Japanese merchants has been greatly improved.

As an example of this, it may be cited that at the end of 1903 the number of limited companies in Japan was 4,304, with an aggregate capital of 1,126,564,706 yen, of which 787,976,953 yen had been paid up, and that the total amounts of the drafts negotiated in 1906, as reported by the clearing-houses in the six principal cities of the Empire, reached 7,124,000,000 yen. These figures will show that the business credits of the Japanese commercial houses are by no means low, considered from the point of view of the foreign trade, and the fact that it is yearly advancing, and that the capital of the Japanese merchants engaged in the business is successfully employed, will prove the existence of sound and wholesome commercial credit. There may certainly be some exceptions, but that is

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inevitable anywhere, and in such cases the foreign merchants who may have suffered should be regarded as indiscreet in their choice of customers. In this generation of universal progress in the world's affairs who would for a moment believe that even in the Far East success in commerce could be arrived at by fraudulent means?

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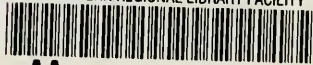
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